



Remarks by John Glascock, City Manager - 2021 Budget

July 24, 2020 10:00 a.m.

Good morning.

Thank you for joining me today as I outline my proposed budget for City Council's consideration. My fiscal year 2021 draft recommendations are aligned with the priorities set in the 2016-2019 Strategic Plan, the citizens survey and reflect City Council goals and guidance expressed during the year.

Before we get into the specifics of the budget, I want to acknowledge how difficult this year has been. 2020 has been a challenging year for our community, state, nation and the world. From the coronavirus pandemic to the civil unrest, this is a year that will change the course of our city's future. We're going into the 2021 fiscal year with a lot of uncertainty.

The budget reflects four main goals:

- **Use the current available estimated revenue to fund core and critical services**
- **Adjust the number of staff to meet our estimated revenue projections**
- **Develop a model to provide social and mental health services to shift certain responses from a police response**
- **Continue to address citizen and council priorities such as community policing and street maintenance**

Revenue and Staffing

Individuals, families, and businesses are all feeling the many effects of COVID-19 which include financial struggles. Your city government is not immune to these financial struggles and uncertainty. One thing we do know is that our economic challenges must now be addressed through cutting programs and staff as we have exhausted cuts in other areas over the past three years. Our most pressing challenge for the coming year is providing essential core services and ensuring the revenues to pay for those services is allocated.

Declining, and at times unpredictable, sales tax growth continues to be an issue, especially now as online purchases have grown during the pandemic and there is no process in place to recover those lost

revenues. While the data we have today shows some decline in sales tax revenue, we believe that decline will accelerate as the pandemic drags on. We also face lower and unpredictable revenues in other areas such as fuel tax, motor vehicle taxes, hotel and motel taxes which are all trending lower due to COVID-19. We don't yet know when or how our economy will recover and we likely won't know for sometime.

If we do not get a more predictable control of COVID-19 cases and we experience another wave of COVID-19 this fall or even into the next year, what effect will this have on our businesses, schools, and colleges and how will that affect our revenue sources we invest into core community services? Several long-running events have been canceled, such as the Show-Me State Games, Special Olympics and Roots N Blues Festival.

Our hotels, restaurants and retail stores have all felt the pain of canceled conferences and events. These conferences and events not only bring guests to our hotels and customers to our retail and dining establishments, but also pump millions of dollars into our local economy and support many jobs. Because of job loss in these sectors, unemployment continues to be much higher than we have seen in a long time and it disproportionately affects those who were already struggling before the pandemic.

All of these factors make forecasting revenues for the next fiscal year a challenging and difficult process.

This proposed 2021 budget shows total expected revenues of \$416,714,518 and total estimated expenditures are \$456,880,406. Typically there is a gap between revenues and expenses. City departments outside of the General Fund may accumulate project fund balances over several years and then spend that cash in a future year to pay for capital projects.

Our revenue estimates are conservative and will be reviewed closely throughout the coming fiscal year to determine if additional cuts need to be made to the budget or if additional expenditures for core services can be appropriated.

In these uncertain times, we must focus on the critical needs of the city and ensure those are funded. When the budget was adopted last year, the Council allowed the use of 3.3 million dollars in General Fund reserves to be programmed for on-going costs. Continuing to use reserves for on-going expenses to balance the budget is not a sustainable plan. When we used General Fund reserves, the goal at the time was to pursue new revenues through a statewide or local use tax. That did not happen. I am not optimistic it will happen in the near future.

In order to ensure those critical needs are funded, I am recommending total reductions in expenditures in the amount of 13.9 million dollars to on-going costs citywide. The General Fund reductions total nearly 3.2 million dollars. The proposed budget also includes a number of organizational changes to reduce “double-budgeting” within the organization and reduce internal service funds that maintain separate reserve balances.

While I’m recommending adding 15 positions for core functions, this budget also includes a proposed elimination of 78.50 full time equivalent positions. Eleven of the 78.50 full time equivalent positions are currently filled. These proposed changes in staffing would bring our total to 1,452.85 permanent City employees, or 11.60 employees per thousand population. This staffing level per thousand population remains lower than pre-recession levels of 12.93.

This was not an easy decision, it was one of the hardest we’ve ever had to make, and I appreciate the work done by the employees who hold positions being eliminated. We are all likely connected to a family member, a friend or neighbor who has been furloughed or laid off during this difficult time. Due to a strong financial footing from previous years, we are fortunate that we don’t have to make more severe staff cuts like others in our community have.

Last year, with Council's permission to utilize General Fund reserves, we were able to provide our employees with move to midpoint adjustments, time-in-class adjustments and an across-the-board increase. Due to the uncertainty of next year's revenues as a result of COVID-19 and no additional revenue sources were secured, I can not recommend any pay adjustments in conjunction with the beginning of the fiscal year. Because we made a commitment to our employees last year to implement compensation improvements, I have committed to reviewing the revenue and budget impacts for the second half of FY 2021 to determine if pay adjustments may be possible mid-year or later in fiscal year 2021.

Let's talk about Policing and Health

The public safety portion of the General Fund budget is by far the largest. The Council has just over \$63 million in discretionary funding available in FY 2021 and more than \$45 million is dedicated to public safety, police and fire. Two of every three dollars in the general fund support these critical functions. The remaining portion of the dollars supports the other 20 City department budgets that make up the General Fund.

Columbia residents routinely consider police services (including crime prevention, quick response to calls and service quality) as some of the most important we provide. Public safety is second only

to road conditions among resident priorities as shown in the citizen survey.

As Council and the community requested, the Columbia Police Department is going through major changes. National attention to issues surrounding policing, police funding and legislation have increased focus on policing policy and practice.

In this budget, I propose a new program to develop a collaboration between Columbia Police, the Public Health and Human Services, and perhaps other community partnerships to develop a public safety Mental Health Collaboration with the Columbia Police Department. I propose in the budget to include just over six hundred and twenty thousand dollars to begin with. Potential models include a Mobile Crisis Team, in which a team of mental health professionals is available to respond to calls for service or co-responders, where a specially trained officer and a mental health professional respond together to calls for service related to mental health. The City will be working in cooperation with the community in the development of the program.

Community policing initiatives once carried out in strategic neighborhoods are being taught to all CPD officers during mandatory in-service training. In addition, the Community Outreach Unit is being reformed in an effort to begin the process of staffing subdivided beats as presented to Council last December. The requested reallocation of

four school resource officers into the outreach unit prioritizes the community policing transition while maintaining a level of interaction in schools. The outreach unit will consist of six officers and a sergeant. The community policing philosophy will continue to be taught and modeled. In the coming year, officers will be evaluated by criteria that support community policing.

Police will also assume parking enforcement in fiscal year 2021, which will further aid in community policing by increasing police presence in the downtown area. Other positions once occupied by commissioned officers will be staffed by civilians. These civilian positions are more cost effective and give us the opportunity to put more officers into the community.

CPD seems to be back on course as a place where people want to work. There are currently more people on the eligibility roster than vacancies for the first time in nearly two decades. Recruiting through community partnerships have proven successful in recruiting diverse applicants. We will evaluate policy, training and the application of both through an equity lens. It is our intention to seek out opportunities to decrease the effects of bias.

Moving to Utilities

The robust utilities we offer is a large part of what makes us a full-service city. Consistent capital projects help us work towards sound infrastructure so you will see many projects slated for 2021, some of which are voter approved projects. Though, I am not recommending any utility rate increases as part of the FY 2021 budget.

One increase that is voter approved could be considered is a 3 percent ballot increase in water that will be brought forward in January after the current fiscal year financials are closed and audited if it is needed to meet debt coverage requirements.

Although the council is currently engaged in discussions on how to address serious issues in the Solid Waste Utility, I am proposing 1.9 million dollars to be eliminated from operations. This will include the suggested permanent elimination of curbside recycling and no longer providing customers bags for trash and recycling. Due to staffing shortages, Staff can simply no longer keep up with the demands of collecting both residential trash and recycling with the current model. Customers will still be able to recycle, they will just need to drop off the recycling at one of the 11 current drop-off sites. We are working on adding more drop-off sites and staff will collect materials at each site at least once a day. This enables us to still offer recycling in a

more cost-efficient manner. These service changes allow us to forego a rate increase for 2021, but even with this action, the forecast shows the utility's reserves falling below the target in 2023 and negative reserves in 2024 without a rate increase. Additionally, there are 3.2 million in capital projects slated for FY 2021 at the landfill, including, improvements to the fueling station, security gate, constructing a vehicle wash bay and vehicle storage shelter.

In the Sewer Utility, I propose to eliminate 1.4 million dollars from operations. Staff reductions will result in reduced inspections and routine cleaning and repair of sewers. Decreases in contractual service amounts will defer maintenance, routine cleaning, and inspections. This will enable us to forgo a rate increase for 2021, but even with this action, the forecast shows the utilities reserves falling below the target by 2023 without a rate increase. The Sewer Utility will continue spending approximately 3 million dollars each year to address sewer rehabilitation and inflow and infiltration reduction by "no-dig" or trenchless methods. These ongoing efforts to reduce inflow and infiltration and rehabilitate our aging sewer infrastructure will transition from being paid by bond funds to operating funds. Recommended Sewer capital project funding for FY 2021 is 3.7 million dollars, which includes multiple Private Common Collector Elimination projects. Funding was approved by the voters in November 2013.

In our Electric Utility, 8.6 million dollars is proposed to be eliminated from operations. Reductions will occur in the Trade A Tree, Tree Power, energy efficiency, and energy audits programs. A significant amount of the cuts occurred in Purchased Power, which is always difficult expenditure to forecast. If Purchased Power prices start increasing and impacting the market, staff will look at bringing a budget amendment forward to City Council for their consideration. These cuts enable us to forego a rate increase for 2021, but even so, the forecast shows the utilities reserves falling below the target by 2022 without a rate increase. The electric utility is in the process of completing an integrated Electric Resource and Master Plan that incorporates Climate Action and Adaptation Plan CAAP goals. Electric capital project funding of 4.78 million dollars is recommended for FY 2021. These projects were authorized by voters in the April 2015 ballot.

In the Water Utility, 1.3 million dollars is proposed to be eliminated from operations. This includes reductions of staff and contractual services for water distribution maintenance would be decreased. Even with this action and a potential 3 percent voter approved rate increase included in 2021, the forecast shows the operation's reserves falling below the target by 2022 without further rate increases. Recommended capital projects were approved by voters in

August 2018. Total capital project funding for FY 2021 is 21.79 million dollars with four major capital projects scheduled.

Moving to Transit

I am recommending that Council move to a fare-free transit system for FY 2021 as a pilot project. COVID-19 has impacted so many facets of our community and this is one way the City can help is to remove some of the burden from our most vulnerable residents' day-to-day costs. The CARES funding is helping make this possible and the budget projections say it is sustainable going forward with the transit system and ridership that we currently have.

In April, Transit applied for a CARES Act grant, and was awarded a grant in June in the amount of 6.5 million dollars. The suggested plan is to use 1.7 million dollars in FY 2020 for operations, instead of transportation sales tax funding. We anticipate the requirement of local match funding to return in FY 2021, so remaining CARE Grant funds will be used to fund capital projects, including bus and van replacements and some improvements to buildings.

Moving on to Streets

We know many in our community year after year are concerned about the conditions of city streets. I recommend utilizing CARES funding to

replace the Airport subsidy and Transit capital project match funding from the transportation sales tax and temporarily relocate this funding to street maintenance over the next three years. This would increase street maintenance funding by two million dollars for fiscal year 2021 and would allow the department to further pursue implementation of the Pavement Management Plan. The majority of the additional funding will focus on asphalt, mill and overlay, and associated repairs such as ADA ramp replacement, base repairs and more for both major and minor roadways to improve the quality of city streets. Additional services that will be phased in or expanded include microsurfacing, crack sealing, chip seal, full depth reclamation and surface seals. We'll also continue work on traffic calming projects and sidewalks in neighborhoods.

Challenges for FY 2021 and Beyond

I see FY 2021 as a year of uncertainty. Uncertainty of our revenue in general, our business climate picture, the way we educate and the health of our community overall. Last year, we had a vision of just needing Columbia to shore up its current funding sources and diversify its General Fund revenue sources going forward. This year is a totally different picture. COVID-19 has changed everything we have thought about going forward. Last year, my plan was to conduct several World Cafe meetings with residents, visiting with community leaders and stakeholders, as well as finding other ways to engage

with our residents to discuss the city's dwindling revenue picture. This year, my plan is still to meet with residents but in a much broader sense. Yes, we still need to discuss revenues but we also need to discuss how we revitalize ourselves in the wake of COVID-19. How are we going to have events like Show-Me State Games, Roots N Blues, possibly college sports, high school events and the list goes on and on and on. How are we going to support our business community, colleges, and the community needs that all of our residents and visitors have come accustomed to Columbia providing?

The big question is, because of COVID-19 are we going to become isolated? Are we going to always be limited to playing it safe? How much risk is acceptable when it comes to public health? Columbia is still the hub for central Missouri and with that comes people into our community that depend on the services only we can provide to this region. The two biggest services are health care and entertainment without traveling great distances.

Since the death of George Floyd, our community has been involved with the protests that have been associated with the senseless deaths of many black and brown people in the United States. Columbia is not immune to these discussions. We must activate community dialog and get involved with resolving the calls for bringing equal justice for all. I can not agree with the call to defund the police. What we need to do is increase the funding of Public Health and Human Services to

remove the need for the police to be involved with residents that need health services.

This year will be a turning point in many of our lives and we must all evaluate what we want Columbia to look like going forward.

Lastly,

While there are a lot of hard decisions being made and most of the items we discussed sound doom and gloom, there are some proposed projects that are uplifting and positive.

FY 2021 presents an opportunity for us to take a look at all our services we provide to see if changes and improvements can be made. Over the next couple of years we will be redesigning the way we do business from the inside out by examining and changing many of our core processes and philosophies on how we administrate and communicate. In order for us to be able to provide the best service to the community possible, we have to start asking the tough questions about how we can move many of our decision making processes from being reactive, to a proactive approach. To start, in fiscal year 2021 we will be taking a close look at the top by examining how our administrative and supportive services such as Finance, Human Resources, IT, Legal and the City Manager's Office communicate internally and make decisions that impact the City as a whole. We will

be working with City Council to make sure we can retool Columbia to allow us to be better equipped to respond to future challenges ahead for events such as COVID-19.

Due to COVID-19 we will be making changes to the Historic Daniel Boone Building in fiscal year 2021 to enhance customer experience and improve employee safety in the building. All external customer operations are proposed to be moved to the first floor of the building, which will make it easier for customers to locate the service they need and complete their business without moveing from floor to floor. This will also allow us to secure the remaining floors from public access and will improve safety for employees throughout the rest of the building.

To engage the community, the City will be facilitating discussions with many community stakeholder groups to identify what the City is doing correctly to address equity and inclusion, and what we need to improve in those areas. From those discussions, we will work to develop a larger engagement plan with community-driven priorities. We will be working with the community to identify performance measures and action steps to increase social and racial equity throughout Columbia.

Staff will be looking to improve efforts on the review of policies and ordinances to ensure that they have an equitable and inclusive lens.

The City will officially become a member of the Government Alliance on Race and Equity, a national network of governments working to achieve racial equity and advance opportunities for all. We will be working with the National League of Cities Race, Equity and Leadership to reinforce our knowledge and capacity to eliminate disparities and heal divisions to have a community that is more equitable.

The City and several community partners are working together on an initiative called CoMoUnity to encourage innovation, partnership and resiliency to work together to come back from this situation better than ever. We have a short video we'd like to play to highlight the CoMoUnity partnership. [\(Play video\)](#)

Many Thanks

Producing a budget with 20 departments, 48 separate spending plans and hundreds of service lines is no small task. No city manager can do this alone, and I thank the individuals who work so diligently to help me, and the community, to achieve our goals.

I didn't discuss every budget recommendation today, but instead I wanted to focus on the items that I think you care about most.

Residents may read the budget and related material online at CoMo.gov or review a printed copy in the City Clerk's Office or in the

Finance Department in City Hall. I encourage residents to attend the Council's full-day work session on the budget, which is scheduled for Tuesday, Aug. 13, from 9 a.m. to 5 p.m. where staff will provide a deeper look into the numbers and answer Council questions. Residents can also attend and provide feedback during the public hearings on the budget scheduled for Aug. 24, Sept. 8 and Sept. 21. The budget should be adopted by Council at the Sept. 21 Council meeting.

Thank you for joining me today. I will take a few questions.